

Decision No. 85546

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CONTINENTAL AIR LINES,)
 INC. for authority to increase and) Application No. 56222
 cancel certain intrastate passenger) (Filed January 23, 1976)
 fares.)

O P I N I O N

Continental Air Lines, Inc. (Continental) seeks an ex parte order for authority to increase or cancel certain intrastate passenger air fares. Within the State of California, Continental operates in intrastate as well as interstate commerce providing service between Ontario, Burbank on the one hand and San Jose on the other hand, utilizing Boeing 727 jet aircraft.

Continental seeks to increase or cancel fares as follows:

Continental Air Lines, Inc.
 Present and Proposed Fares 1/

	<u>Present Fare</u>	<u>Proposed Fare</u>	<u>Proposed Increase</u>
<u>Between Burbank and San Jose</u>			
First Class	\$ 32.41	\$ 42.59	\$ 10.18 *
Commuter	15.74	23.61	7.87
<u>Between Ontario and San Jose</u>			
First Class	\$ 35.19	\$ 42.59	\$ 7.40
Commuter	20.37	24.49	4.12

1/ All fares excluding tax; children's fares are 50 percent of the above. Fares apply via the routings now shown for present fares. Family Fares constructed by Rule 44 in Rule Tariff No. 1, California PUC No. 2, issued by Continental Air Lines, Inc. are cancelled.

*Application erroneously shows \$16.66.

The proposed commuter fare between Burbank and San Jose is the same as the increased fare authorized to Pacific Southwest Airlines, Inc. (PSA) in Decision 85339, dated January 13, 1976. The proposed commuter fare between Ontario and San Jose is the same as Air California's present fare.

The proposed first class fare between Ontario and San Jose is constructed by increasing the present first class fare by the same percentage increase as the commuter fare (subject to rounding in order to produce an even dollar fare when tax is included). Increasing the present first class fare between Burbank and San Jose by the same percentage increase in the proposed commuter fare would result in a higher fare than the first class fare proposed between Ontario and San Jose. The airline is proposing that the first class fare between Burbank and San Jose be held at the same level as the fare between Ontario and San Jose.

Continental has maintained both first class and commuter fares at the same levels since August 29, 1970, and alleges that recent spiraling costs dictate that these fares must now be increased.

Continental proposes to cancel its family fares in the Ontario/Burbank-San Jose market. The applicant states that it has been its experience that the family fares have developed little or no traffic in these markets.

Continental alleges that the proposed fare increase will produce added revenue of \$192,500, based upon a nine-month period ended September 30, 1975, assuming no loss of traffic. The airline states that if the proposed fares had been in effect during the nine months ended September 30, 1975, Continental's pre-tax loss on its intra-California operations for this period would have been \$460,700.

The Commission historically has considered PSA and Air California to be the low-cost rate making carriers in the California corridor and, in the past, has authorized other passenger air carriers to raise their commuter air fares to the levels authorized

to PSA and Air California between competitive points, and also has authorized proportionate increases in fares for other classes of service.

Continental requests that this application be acted upon without hearing in view of the alleged losses now being incurred by applicant from its California intrastate operations over the routes involved and the desirability of maintaining similar jet commuter fares to those published by PSA and Air California.

The application was served in accordance with Commission rules. In addition, notice of the filing of the application appeared on the Commission's Daily Calendar. There are no protests or requests for public hearing.

After consideration, the Commission finds:

1. Applicant seeks to increase its intrastate commuter and first class air fares applicable over the route segments served by it in California, and to cancel family fares applicable over those routes.
2. The commuter fares are proposed to be increased to a level heretofore authorized to PSA and Air California. The first class fare between Ontario and San Jose is proposed to be increased by the same percentage increase in commuter fares. The first class fare applicable to Burbank has been held to the Ontario fare level.
3. The Commission has held in prior proceedings that PSA and Air California are the fare setting carriers over the route segments here in issue.
4. The proposed fare increases are estimated to produce added annual revenues of approximately \$257,000.
5. The increase in air fares sought herein will not result in Continental's intra-California operations being profitable.
6. The increase in fares sought herein is justified.
7. A public hearing is not necessary.

On the basis of the foregoing findings, we conclude that the application should be granted as set forth in the following order:

O R D E R

IT IS ORDERED that:

1. Continental Air Lines, Inc. is authorized to establish the increased air fares sought in Application 56222 and to cancel air fares as more specifically set forth in the opinion.

2. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than five days after the effective date of this order on not less than five days' notice to the Commission and to the public.

3. The authority granted herein shall expire unless exercised within ninety days after the date of this order.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 9th
day of MARCH, 1976.

President
William J. Higgins

Robert A. Baker

Commissioners

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.